ANGEL CANDIES SDN BHD v. LOO YAN WAH & ORS

HIGH COURT MALAYA, SHAH ALAM
ROZANA ALI YUSOFF JC
[CIVIL SUIT NO: 22NCVC-902-07-2012]
15 DECEMBER 2014

CONTRACT: *Breach – Contract of employment – Duty of good faith – Whether employee prohibited from misusing or disclosing confidential information – Disclosure of trade secrets of ex-employer – Meaning of confidential information – Whether breach of confidentiality established*

CONTRACT: *Breach – Dealership agreement – Dealer playing active role in creating rival business – Whether breach of dealership agreement established*

TORT: *Breach of confidence – Disclosure of trade secrets of ex-employer – Meaning of confidential information – Essential elements of breach of confidence – Whether breach established*

TORT: *Passing off – Elements, of – Whether incumbent on plaintiff to prove existence of goodwill – Determining similarity of infringing product – Whether confusion caused among purchasing public – Whether plaintiff had to prove actual losses suffered – Whether a mere probability of loss sufficient – Whether passing off established*

The plaintiff entered into a franchise agreement with an Australian company who was the inventor of high quality hand-made rock candy style lollies and candy art branded as "Sticky". The plaintiff then set up Sticky Candies outlets in Malaysia. The plaintiff also offered Sticky Candies for sale in Genting Rewards Gallery ('GRG') where the plaintiff appointed the third defendant as an authorised dealer to market Sticky Candies to GRG pursuant to a dealership agreement on 28 December 2011. The dealership agreement emphasised that the third defendant was not to display, market or sell any goods or products directly in competition to Sticky Candies. The plaintiff also offered employment to the first defendant as a candy maker. By virtue of the employment, the first defendant was provided confidential information such as the detailed ingredients for making Sticky Candies, the entire know-how and process flow of making the Sticky Candies, the database of plaintiff's distribution network including the customers' lists with the sole purpose of allowing to better himself in carrying out his functions with the plaintiff. In return, the first defendant was subjected to the duty of good faith and fidelity and also the duty of confidence in relation to the information and trade secrets. The first defendant subsequently resigned from his employment with the plaintiff. The dispute arose when the plaintiff claimed that the defendants had produced I-Candy which was very similar with Sticky Candies and by doing so, the defendants had infringed the plaintiff's trademark and also executed the plaintiff's trade secrets in order to achieve the vehemently similar result of the end product. According to the plaintiff, the first defendant had breached the confidentiality aspect while the second defendant was liable for tort of passing off because it had created a

misrepresentation to the public in relation to Sticky Candies and I-Candy. Meanwhile, the third defendant was said to have breached the dealership agreement by assisting the first and second defendant in the business of I-Candy. The issues to be determined by the court were: (i) whether there was a breach of confidentiality of information by the first defendant in respect of the candy making process and its business; (ii) whether the second defendant was liable for tort of passing off by making a misrepresentation to the public that the coloured rock candies belonged to the plaintiff; and (iii) whether the third defendant had breached the dealership agreement.

Held (allowing plaintiff's claim with costs):

(1) The essential elements that make up the law on breach of confidence are: (i) that the information is confidential in nature; (ii) there is an obligation of confidence imposed on the recipient of that information; and (iii) that there has been a disclosure or a threat of disclosure of that confidential information. (para 43)

(2) The plaintiff had to show that the information it sought to protect was a trade secret or was in the nature of a trade secret. Confidential information could be defined as anything that was not available in the public domain or information that was not public property. The ingredient, know how, methods and detailed process of how Sticky Candies were made and assembled were among other things confidential information in nature and were their trade secrets. The plaintiff's list of suppliers of sugar, flavours, gloves, and all related information relevant to the plaintiff's candy making business and its' clients were also confidential information in relation to the nature of the industry concerned. Trade secrets also extend to information relating to the lists of names and addresses of customer, supplier, specific questions sent to the customers, cost prices, specific needs and requirement of the customers and status of on-going negotiations with the customers. (paras 44, 45 & 47)

(3) An employee owes his employer a duty of good faith where this duty not only prohibits an employee from misusing or disclosing information while still in the employer's employ but also prohibits the employee from using any confidential information obtained. The first defendant had disclosed information to the second defendant in respect of the names of suppliers and equipments used by the plaintiff. The first defendant played an active role in providing instructions as to how to make hand-made rock candy. Therefore, the first defendant had breached the obligation of confidentiality imposed upon him in respect of his act of disclosing information of the plaintiff's candy making process and its business. (paras 55 & 56)

(4) The second defendant had knowledge of the nature of the information obtained from the first defendant and used such confidential information for the benefit of its own business. Such information was confidential in

nature. The formula of the Sticky Candies had been used by the second defendant to produce their I-Candy which was eventually sold in the market. (para 57)

(5) The following elements must be proved in order to establish a cause of action for passing off: (i) that the plaintiff has sufficient reputation or goodwill in the mark, trade mark, get up or other indicia in question; (ii) that the actions of the defendants are likely to and/or have actually caused misrepresentation; and (iii) that the plaintiff has suffered or is likely to suffer damage or injury to his business or goodwill as result of the defendants' misrepresentation. (para 59)

(6) It was incumbent for the plaintiff to prove that he had goodwill in relation to the goods or services which were the subject of the passing off action. Without goodwill, the mere existence of confusion in the minds of consumers that the competitor's goods originate from the plaintiff was insufficient for a passing off action. The plaintiff had goodwill and reputation in the sticky candy business. (para 61)

(7) In comparing the products to determine the similarity, the products must be taken as a whole. If the packaging, on such an observation was confusingly and deceptively similar to the plaintiff's get-up and packaging, these striking similarities would render the trade and public to be confused as they were identical goods. The two products were very similar in colour, design and the clear glass packaging. Therefore, there was a misrepresentation by the second defendant and he had likely led the public to believe or otherwise cause confusion among the purchasing public to associate in their minds that the I-Candy was the product of the plaintiff. (paras 64 & 65)

(8) In passing off, the plaintiff did not have to prove that he had actually suffered damage by way of loss of business or in any other way. A probability was enough, so long as the damage was to him in his trade or business. The second defendant's action had deprived the plaintiff's benefit of its business as it may no longer draw in customers as it used to and this eventually had caused damage to the plaintiff. (paras 66 & 67)

(9) The second defendant was thus liable in passing off by making a misrepresentation to the public to believe that the I-Candy was manufactured, authorised, approved, associated or connected with the plaintiff. (para 67)

(10) There was evidence that linked the involvement of the third defendant with the first and second defendants in the activities of the candy making business and in playing an active role in creating a rival business. The third defendant had breached the dealership agreement when he assisted and facilitated the selling of I-Candy which was in direct competition with Sticky Candies. (paras 69 & 70)

Case(s) referred to:

AG Spalding & Bros v. AW Gamage Ltd [1915] 84 LJ Ch 449 ***(refd)***
Aspect Synergy Sdn Bhd v. Banyan Tree Holdings Ltd [2009] 8 CLJ 97 HC ***(refd)***
Attorney General v. Guardian Newspapers Ltd (No 1) [1987] WLR 1248 ***(refd)***
BT Engineering Sdn Bhd v. Team United Resources Sdn Bhd & Anor [2012] 5 CLJ 800 HC ***(refd)***
COCO v. AN Clark (Engineers) Ltd [1969] RPC 41 ***(refd)***
COCO v. AN Clark (Engineers) Ltd [1968] FSR 415 ***(refd)***
Consitex SA v. TCL Marketing Sdn Bhd [2008] 8 CLJ 444 HC ***(refd)***
Cray Valley Ltd v. Deltech Europe Ltd & Ors [2003] EWHC 728 ***(refd)***
Danone Biscuits Manufacturing (M) Sdn Bhd v. Hwa Tai Industries Bhd [2010] 4 CLJ 711 HC ***(refd)***
Electro Cad Australia Pty Ltd & Ors v. Mejati RCS Sdn Bhd & Ors [1998] 3 CLJ Supp 196 HC ***(refd)***
Faccenda Chicken v. Fowler [1985] FSR 105 ***(refd)***
Faccenda Chicken Ltd v. Fowler [1986] 3 WLR 288 ***(refd)***
Faccenda Chicken Ltd v. Fowler [1987] CH 117 ***(refd)***
Goodyear Tire & Rubber Company & Anor v. Silverstone Tire and Rubber Co Sdn Bhd [1994] 1 CLJ 509 HC ***(refd)***
Herbert Morris Ltd v. Saxelby [1916] 1 AC 688 ***(refd)***
HP Bulmer Ltd & Showerings Ltd v. J Bollinger SA & Champagne Lanson Pere et Fils [1978] RPC 79 ***(refd)***
Ismeca Malaysia Sdn Bhd v. Micheal Gerard Peterson & Ors [2012] 4 CLJ 973 HC ***(refd)***
Jarman & Platt Ltd v. I Barget Ltd & Ors [1977] FSR 260 ***(refd)***
McCurry Restaurant (KL) Sdn Bhd v. McDonald's Corporation [2009] 3 CLJ 540 CA ***(refd)***
Mediv AC International Management Pte Ltd v. John Walter Moore [1987] 1 LNS 76 HC ***(refd)***
Mun Loong Co Sdn Bhd v. Chai Tuck Kin [1982] CLJ 80B; [1982] CLJ (Rep) 590 HC ***(refd)***
Perry v. Truefitt (1842) 6 Beav 66 ***(refd)***
Raghunath Ramaiah Kandikeri v. Ecooils Sdn Bhd [2013] 1 LNS 360 CA ***(refd)***
Re Pianotist Co's Application [1906] 23 RPC 774 ***(refd)***
Reckitt & Colman Products Ltd v. Borden Inc & Ors [1990] 1 All ER 873 ***(refd)***
Repco (Malaysia) Sdn Bhd v. Tan Toh Fatt & Ors [2012] 1 LNS 116 HC ***(refd)***
Saltman Engineering Co Ltd v. Campbell Engineering Co Ltd [1963] 3 All ER 413 ***(refd)***
Schmidt Scientific Sdn Bhd v. Ong Han Suan & Ors [1998] 1 CLJ 685 HC ***(refd)***
Seet Chuan Seng & Anor v. Tee Yih Jia Food Manucfacturing Pte Ltd [1994] 3 CLJ 7 SC ***(refd)***
Sinma Medical Products (M) Sdn Bhd v. Yomeishu Seizo Co Ltd & Ors [2004] 3 CLJ 815 CA ***(refd)***
Svenson Hair Center Sdn Bhd v. Irene Chin Zee Ling [2008] 8 CLJ 386 HC ***(refd)***
Syarikat Zamani Hj Tamin Sdn Bhd & Anor v. Yong Sze Fun & Anor [2006] 5 MLJ 262 ***(refd)***
The Scotch Whisky Association & Anor v. Ewein Winery (M) Sdn Bhd [1994] 3 CLJ 509 HC ***(refd)***

Legislation referred to:

Contracts Act 1950, s. 28

For the plaintiff - Suaran Singh (KC Chan with him); M/s YN Chin & Co
For the 1st & 2nd defendants - Gary Yap; M/s Adnan Sundra & Low
For the 3rd defendant - Aza Zarina; M/s Ravi Moorthi, Noriza, Mala & Partners

Reported by Amutha Suppayah

JUDGMENT

Rozana Yusoff JC:

Introduction

[1] The plaintiff claims against the first, second and third defendants as per the statement of claims are as follows:

(a) An injunction to restrain the first, second and third defendants, whether by themselves or their servants and/or their agents or any of them howsoever from using or disclosing or divulging or disseminating all or any part thereof of the confidential information and/or know-how to any other party;

(b) An injunction to restrain the first, second, and third defendants, whether by themselves or their servants and/or their agents or any of them howsoever, from making, producing, manufacturing, distributing and offering for sale the offending candies (I-Candy);

(c) An injunction to injunction to restrain the first, second and third defendants, whether by themselves or their servants and/or their agents or any of them howsoever from passing off or attempting to pass off or causing, enabling or assisting others to pass off the I-Candy as the plaintiff's candies (Sticky Candies);

(d) An account of parties to whom the I-Candy have been distributed, sold or offered for sale, including a full account of all existing inventories of the I-Candy in the possession, custody and/or control of the second and/or third defendants;

(e) Delivery to the plaintiff, or such other person as the court may direct, of all the I-Candy in the possession, custody and/or control of the second and/or third defendants and directions for the disposal thereof by destruction as the court may think fit;

(f) An inquiry as to damages or an account of profits made by the first, second, and third defendants;

(g) An order for the payment of all sums found to be due to the plaintiff upon the taking such inquiry or account;

(h) Delivery to the plaintiff all documents and materials recorded in writing or whatsoever form which are in possession, power, custody, or control of either the first, second and third defendants the use or disclosure of which would offend against the foregoing injunctions or any of them;

(i) A public apology from the first, second and third defendants for passing off and/or attempt to pass off the I-Candy as Sticky Candies in major newspapers for two consecutive days in a format that is acceptable to the plaintiff;

(j) Interests;

A (k) Costs; and

(l) Any other of further relief which this Honourable Court deems fit and proper.

[2] The plaintiff is a private company limited in the business of import, B export, wholesale and retail in all kinds of candies. The first defendant is an individual and a former employee of the plaintiff. The second defendant is a private limited company in the business of manufacturing, buying, selling in all kinds of confectionaries, candies, food product and groceries. The third defendant is an individual appointed by the plaintiff as an authorised dealer C to market, sell and support of Sticky Candies to Genting Highlands.

[3] In summary, the claim against the first and second defendant's falls into two categories. The first is based on the first defendant's alleged breach of his contractual duty of confidence not to divulge confidential information acquired during his employment with the plaintiff. The second is a claim D against the second defendant for allegedly passing off their product as the product of the plaintiff. As to the third defendant, the claim is for the breach of dealership agreement.

Background Facts

E **[4]** On 30 June 2009, the plaintiff entered into a master franchise agreement (Malaysia) with an Australian company called Dotball Pty Ltd (DPL) who is the inventor and original maker of high quality hand-made rock candy style lollies and candy art branded known as 'Sticky'. DPL granted the plaintiff the sole and exclusive right and license to open and operates Sticky Candies retail outlets and sell Sticky Candies within F Malaysia.

[5] In accordance to the franchise agreement, DPL had handed over to the plaintiff the intellectual property, confidential information and know-how which *inter alia* include the methods, technique, trade-secret, procedures, recipes of making the Sticky Candies and also the system and knowledge of G and experience in the operation of retail outlets under Sticky Candies brands.

[6] Prior obtaining the franchise from DPL, there is no individual or company in Malaysia that has the knowledge or capability of making hand-made rock candy style lollies and candy art - the Sticky Candies. The H sale of Sticky Candies has been very good and as such the plaintiff has acquired goodwill and reputation as to Sticky Candies in Malaysia. The plaintiff has setup Sticky Candies outlets at strategic locations within prominent shopping complexes such in One-Utama Shopping Complex, Pavilion Kuala Lumpur and Mid-Valley Gardens. The plaintiff also offered I Sticky Candies for sale in Genting Rewards Gallery (GRG) where the plaintiff had appointed the third defendant as an authorised dealer to market, distribute and sell Sticky Candies to GRG pursuant to the dealership agreement on 28 December 2011.

[7] The plaintiff offered employment to the first defendant as candy maker *vide* the letter of employment dated 1 June 2010. By virtue of the employment, the first defendant was provided and given access to the confidential information such as the detailed ingredients for making Sticky Candies, the entire know-how and process flow of making the Sticky Candies, the database of plaintiff's distribution network including the customers' lists with the sole purpose of allowing to better himself in carrying out his functions with the plaintiff. In return, the first defendant is subjected to the duty of good faith and fidelity, the duty of confidence in relation to information and trade secrets during his course of employment or even after termination of his employment and undertakes not to misuse any confidential information for his own advancement and personal benefits to the detriment of the plaintiff.

[8] During the employment with the plaintiff, the first defendant was sent to DBL for further exposure but upon his return sometime in June, the first defendant resigned and left the plaintiff. However, on 14 July 2011, the first defendant re-joined the plaintiff's employment and on 1 September 2011 he was promoted as a supervisor and master confectioner where he was entrusted to supervise the Sticky Central Kitchen that involves the receiving of all goods including raw materials, ingredients and custom made gloves which are integral in making Sticky Candies. But again on 9 March 2012, the first defendant resigned from his employment with the plaintiff.

[9] As to the second defendant, it was incorporated on 2 March 2012 and coincidentally shared the same address with a company called Dot Impression Sdn Bhd (DISB), which is a company that deal with the plaintiff in matter of packaging, labelling and promotion of Sticky Candies at GRG.

[10] As to the third defendant, he entered into a dealership agreement with the plaintiff on 28 December 2011 for a three years period. The dealership agreement emphasised that the third defendant is not to display, market or sell any goods or products directly in competition to Sticky Candies. The third defendant also is not to engage in any unfair or illegal trade practice or commit any act or engage in any transaction that would reflect adversely upon the goodwill associated with Sticky Candies.

[11] However, a dispute arose between the parties when the plaintiff claimed that the defendants had produced I-Candy which is very similar with Sticky Candies and by doing so, the defendants had infringed the plaintiff's trademark and also executed the plaintiff's trade secrets in order to achieve the vehemently similar result of the end product.

[12] As a result of the defendants' actions, the plaintiff has suffered losses and damage as well as injury to its substantial goodwill and reputation.

A **Plaintiff's Submission**

[13] In summary, the plaintiff submitted that the information in relation to the making of high quality, hand-made rock candy style lollies and candy art that is known as Sticky Candies is deemed to be confidential information which is inclusive but not limited to the following:

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(a) Ingredients, recipe and process required to make Sticky Candies.

(b) The know-how and process for making Sticky Candies.

(c) Trade information belonging to the plaintiff such as lists of customers, suppliers, sales figures and general marketing strategies.

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[14] Plaintiff contended that the first defendant had, in the course of his employment with the plaintiff, acquired confidential information in the candy making process. The first defendant had illegally shared the plaintiff's confidential information with the second defendant who is a rival candy making business.

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[15] The plaintiff contended that the first defendant in disclosing and divulging plaintiff's confidential information and know-how to the second defendant during his course of employment with the plaintiff, was in express breach of the terms of his employment contract or the implied terms of fidelity, good faith and confidence. The plaintiff referred the following relevant terms in respect of the first defendant's employment:

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(a) the first defendant will not at any time both during and after his employment with the plaintiff divulge to any person any information relating to or in connection with the plaintiff's trading policies, recipes, methods, techniques or any information of a confidential nature which he may obtain or have access to in the course of his employment with the plaintiff, its employees or its clients including direct or indirect acquaintances.

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(b) this condition shall survive the termination of the first defendant's employment regardless of the manner of such termination and any breach of this condition will render him liable to damages and other remedies available to the plaintiff in law.

(c) the first defendant shall not remove any confidential information without any written consent from the plaintiff including any documentation or information received or development by any employees or himself in the performance of their and his duties.

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(d) The first defendant shall acknowledge the desire and the right of the plaintiff to preserve the secrecy of this confidential information which includes trade secrets, marketing information, financial information and business plans.

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[16] In addition to the above terms, the plaintiff also contended that the first defendant is also subject to the following implied terms in his employment with the plaintiff.

(a) duty of good faith and fidelity to the plaintiff;

(b) duty of confidence not to misuse any confidential information and/or trade secrets belonging to the plaintiff and/or to disclose such information or any part thereof to any third party whether during his course of employment or after termination of his employment with the plaintiff;

(c) duty not to misuse any confidential information belonging to the plaintiff, for his own advancement and personal benefit to the detriment of the plaintiff.

[17] The plaintiff in their submissions relied on the law in relation to confidential information:

(a) that the information is confidential in nature;

(b) there is an obligation of confidence imposed on the recipient of that information; and

(c) that there has been a disclosure or a threat of disclosure of that confidential information.

[18] As to the confidential information, the plaintiff submits that it encompasses, among other things, the ingredients, know-how, methods and detailed process of how Sticky Candies are made and assembled. This information is found in the plaintiff's manual (P1) to which only selected employees being trained by the plaintiff have access and to which reference is made during the training of the plaintiff's candy makers. This would render the plaintiff's information possesses the necessary quality of confidence for the purposes of an action in breach of confidence. The confidential nature of this information is clear and is the trade secrets of the plaintiff. Plaintiff further submitted that confidential information can be defined as anything that is not available in the public domain or information that is not public property as set out in *Svenson Hair Center Sdn Bhd v. Irene Chin Zee Ling* [2008] 8 CLJ 386.

[19] The other aspect of the plaintiff's confidential information includes the plaintiff's list of suppliers, list of clients and vendors from which the plaintiff purchased their every-day ingredients. The plaintiff highlighted *Svenson Hair Center Sdn Bhd* (*supra*) that makes it very clear that information of this nature is undoubtedly categorised as confidential information and/or trade secret.

[20] The plaintiff contended that there was a breach of confidentiality by the first defendant since he had access to P1 for the purposes of his training as a candy maker. The confidentiality of the recipes includes the boiling temperature, the methods of arrangement of the candies in order to form a particular shape, the temperature and the exact amount of ingredients

A required to make a particular candy, all of which are contained in great detail in P1 where such confidential information was imparted to first defendant during his training with the plaintiff. The contents of P1 which includes the skill of stretching and pulling the candy and the act of boiling the necessary amount of sugar and water in order to make the Sticky Candies are different
B and distinct from the general skill and knowledge obtained by the first defendant.

[21] The plaintiff also relied on *Faccenda Chicken v. Fowler* [1985] FSR 105 where it was referred to in *BT Engineering Sdn Bhd v. Team United Resources Sdn Bhd & Anor* [2012] 5 CLJ 800. In this case, the court states that there are specific trade secrets so confidential that even though the employee has
C learnt them by heart and even though that employee has left the service of the employer from which he learnt this secret, these secrets cannot be used, save for that sole employer's benefit. Relying on this case, the plaintiff submitted that even though first defendant had learnt how to make the candy by heart and he had all the information contained in P1, he is still not at
D liberty to share it with anyone even after he left the employment of the plaintiff and these are trade secrets that cannot be used, save for the plaintiff's benefit. Thus, it is obvious that the first defendant has no authority to use and disclosed confidential information in relation to P1 and also as to the information of the plaintiff's list of suppliers and customers' lists for the
E benefit of the second defendant.

[22] As to the breach of confidentiality by the second defendant, the plaintiff submitted that DW2 one Mr Terrence Toh who is the director of the second defendant had persuaded the first defendant to join him and had used the confidential information obtained from the first defendant in setting
F up the company and runs its' hand-made candy making industry. DW2, in using the confidential information from the first defendant had a relatively successful candy making business to the detriment of the plaintiff. The plaintiff relied on *Attorney General v. Guardian Newspapers Ltd (No 1)* [1987] WLR 1248, where it was stated that "if a trade secret is imparted to an
G employee and the employee goes on to publish/reveal such information and there is someone else in the same trade knows and/or learns of that trade secret which would have been imparted in confidence to the employee, that third party can be restrained from using that information, even if he obtained it from an entirely public and separate source. What is key is that he knows
H that it had originally been imparted to that employee in confidence". Thus, it could be concluded that the formula of the plaintiff's Sticky Candies used by the second defendant to produce the I-Candy could only have been obtained from the first defendant who had communicated such confidential information to the second defendant.

I **[23]** The plaintiff contended that the action of the second defendant in making, producing and selling the I-Candy that are similar in terms of design, size, shape and/or colour to Sticky Candies by using the plaintiff's confidential information and know-how has unlawfully reap certain amount of profit for itself to the detriment of the plaintiff. There are similarities

between the plaintiff's Sticky Candy and the second defendant I-Candy sold in the market and this had caused confusion or the likelihood of confusion to the public at large. Therefore, the plaintiff submitted that the second defendant is liable in the tort of passing off by virtue of the fact that the second defendant has created a misrepresentation to the public at large that the I-Candy created by them belongs to the plaintiff and/or that the plaintiff has authorised and/or licensed the second defendant to sell those I-Candy.

[24] The plaintiff submitted the evidence of the plaintiff's expert witness, PW1, one Mr Don Hammond, a professional candy maker from Australia, remained unchallenged and undisputed. PW1 had testified that if the P1 was to be accessible to someone who made candies of the same kind as the plaintiff then P1 would be very highly and extremely important to that person. In this aspect, the plaintiff submitted that such testimony of PW1 should be given its' due weight and accepted in its entirety in relation to this case and that information in P1 are confidential in nature.

[25] As to the third defendant, the plaintiff contended that the third defendant who was the distributor of the plaintiff's Sticky Candies was in breach of the distributorship agreement when the third defendant assisted the first defendant to gain employment with the second defendant. The third defendant then further assisted the second defendant to distribute the I-Candy in the same location where the third defendant used to distribute Sticky Candies. The plaintiff also contended the third defendant's action had caused the plaintiff business to cease since the I-Candy was displayed for sale at GRG. The plaintiff also contended that the third defendant's action in enticing the first defendant while the first defendant was still in the plaintiff's employment and requesting the same to acquire the plaintiff's confidential information exposes the third defendant to a liability of knowingly and intentionally procuring a breach of the contract. Therefore, the plaintiff submitted that the active role played by the third defendant in creating a rival business against the plaintiff clearly shows that the third defendant was in breach of the dealership agreement.

[26] As a whole, in summary the plaintiff submitted that the information contained in P1 and other information in relation to the making of Sticky Candies including trade information belonging to the plaintiff is confidential information in nature. The first defendant has breached the confidentiality aspect while the second defendant is liable in the tort of passing off because it had created a misrepresentation to the public in relation to Sticky Candies and I-Candy. Meanwhile, the third defendant had breach the dealership agreement where he assisted first and second defendant in the business of I-Candy.

Defendants' Submission

[27] The first and second defendants contended that the information alleged to be confidential does not have the quality recognised in law to attract the protection of confidential information as all that was acquired by defendants

A is an ordinary skills and readily available from a number of sources. Furthermore, the plaintiff has not shown that either the first defendant has acquired and divulged the alleged confidential information to the second defendant or that the second defendant used the alleged confidential information in making its I-Candy.

B **[28]** The second defendant did not rely on the plaintiff's alleged confidential information in making its product as it engaged an independent trainer, one Damien Brewer to train its staff in candy making. The first defendant acquired the know-how in making rock candy and that know-how is not capable of protection under the law. Thus, the restraint on using so C called confidential information amounts to an unreasonable restraints of trade and as such offends under s. 28 of the Contracts Act 1950 as an unreasonable restraints of trade.

[29] As for the issue of passing off, where the plaintiff alleges that it has acquired goodwill and reputation in the 'get-up' of its Sticky Candies and that D the second defendant in making, marketing and selling its I-Candy candy or is attempting to misrepresent or pass off the product as the Sticky product and thereby has damaged the plaintiff's goodwill and reputation, the first and second defendants submitted that:

(a) The plaintiff has failed to define the distinctive characteristics of their E product and business which they say is part and parcel of their reputation and goodwill.

(b) The plaintiff did not sufficiently established reputation and goodwill in their Sticky Candies product and business to attract the protection that they sought for.

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(c) The packaging, bottling, design, size, shape and overall appearance of the defendant's I-Candy product bear no resemblance to the plaintiff's Sticky Candies product.

(d) All that the plaintiff is trying to do is to unfairly stifle legitimate G competition and create monopoly for him.

[30] The first and second defendants submitted that the plaintiff has failed to establish its case either on the breach of the confidential information or on passing off. The information that the plaintiff alleged as confidential, was in fact a set of simple skills with little or no technology or trade secrets H attached to it. It is a simple trade carried out by unskilled or low-skilled workers, with little or no technical knowledge or education. The product itself is simply flavoured sugar in hard form. These skills can be easily taught and the second defendant, like the plaintiff, acquired its skills and knowledge through an independent trainer. They did not need to rely on any so-called I confidential information to acquire those skills.

[31] The first and second defendants contended that was no passing off since the get-up and branding of the plaintiff's Sticky Candies and the second defendant's product, the I-Candy are entirely different and cannot be confused with each other.

[32] Despite the plaintiff's evidence shows that their business has grown considerably from three outlets and at the time of giving evidence they had expanded to eight outlets and the profits of the business has increased substantially with an operational profit of RM630,000 for the first year, in 2010 and RM2.4 million in the second year, in 2011, but the accounts for 2012 and 2013 were not produced.

[33] The first and second defendants contended that the plaintiff was extremely upset that it has lost its sales outlet in GRG and that the second defendant has secured the same space and has become a serious competitor. The defendants submits that those behaviours were not legitimate reasons for bringing an action and it amounts to an abuse of the court process by trying to gain a competitive advantage and a monopoly for its business.

[34] In support of the above contention, the first and second defendants relied on the test for an action on confidential nature as laid down in *COCO v. AN Clark (Engineers) Ltd* [1969] RPC 41 which had been followed locally in *Electro Cad Australia Pty Ltd & Ors v. Mejati RCS Sdn Bhd & Ors* [1998] 3 CLJ Supp 196 and *Repco (Malaysia) Sdn Bhd v. Tan Toh Fatt & Ors* [2012] 1 LNS 116; [2013] 7 MLJ 408 which the plaintiff had failed to satisfy the element required. The first and second defendants submitted that the nature of the industry of candy making should be taken into account since the making is a simple and straightforward process carried out by a number of existing businesses around the world. The relevant information should not be categorised as confidential. In this respect, candy making should be contrasted from engineering secrets or computer software secrets which were developed at considerable expense of money and time.

[35] In support of their submission, the first and second defendants also refers to the cases *Faccenda Chicken Ltd v. Fowler* [1986] 3 WLR 288, *Mediv AC International Management Pte Ltd v. John Walter Moore* [1987] 1 LNS 76; [1988] 1 MLJ 5, *Saltman Engineering Co Ltd v. Campbell Engineering Co Ltd* [1963] 3 All ER 413, *Cray Valley Ltd v. Deltech Europe Ltd & Ors* [2003] EWHC 728, *Herbert Morris Ltd v. Saxelby* [1916] 1 AC 688 at 706, *Seet Chuan Seng & Anor v. Tee Yih Jia Food Manucfacturing Pte Ltd* [1994] 3 CLJ 7; [1994] 2 MLJ 770 at 781, *Jarman & Platt Ltd v. I Barget Ltd & Ors* [1977] FSR 260 at 272, and *Reckitt & Colman Products Ltd v. Borden Inc & Ors* [1990] 1 All ER 873.

[36] The third defendant denied that he had breached the dealership agreement that he had displayed, marketed and sold any goods and product directly in competition to Sticky Candies. The third defendant also denied had ever engaged in any unfair or illegal trade practice or committed any act or engaged in any transaction that would reflect adversely upon the goodwill associated with Sticky Candies. This is due to the fact that the third defendant is only a dealer or agent between the plaintiff's company and DISB. In this aspect, the third defendant submitted that there were two levels of buying and selling whereby the third defendant bought Sticky Candies from the plaintiff

A and then sold it to DISB. In return, DISB displays the Sticky Candies in GRG and not the third defendant who directly in competition to display, market and sell the Sticky Candies. The third defendant had not entered any agreement with DISB for reason that the third defendant had been supplying the Sticky Candies based on trust. Furthermore, DISB has the right and
B within their control to choose or retract the agent arrangement or stock or any brands they want to promote. The third defendant claimed that they have stopped dealing and taking supplies of Sticky Candies due to no request from DISB.

[37] The third defendant contended that he had no interest in the second
C defendant neither is he a business partner or nominee of the second defendant. The only link between the third defendant and DW2 is on the basis of old close friends where DW2 sometimes assisted the third defendant in delivering the Sticky Candies using DW2's transport. Furthermore, the third defendant has its own business under the name of Euro Heritage Sdn
D Bhd which has no similar nature of the business as the plaintiff.

[38] Based on the above contention, the third defendant submitted that the plaintiff had failed to establish their case on the balance of probability and hence the plaintiff's claim is frivolous, vexatious and abuse of process of court.

E

Issues

[39] The issues to be determined by this court are as follows:

(a) Whether there was a breach of plaintiff's confidentiality of information by the first defendant in respect of candy making process and its
F business?

(b) Whether the second defendant is liable in the tort of passing off by making a misrepresentation to the public that the coloured rock candies belongs to the plaintiff or otherwise authorised or licensed by the plaintiff to second defendant to sell?
G

(c) Whether the third defendant had breached the dealership agreement?

[40] Having heard the evidences and submissions from both learned counsel and after having given much consideration of the facts and evidences, the court on the balance of probabilities finds that the plaintiff's claims
H against the first defendant, second defendant, and third defendant is allowed with costs for the followings reasons:

The First Issue

[41] It was not disputed that the first defendant by virtue of his contract of
I employment dated 1 June 2010 with the plaintiff and particularly in respect of confidentiality deed has undertaken that he will not at any time both during and after his employment with the plaintiff divulge to any person any information relating to or in connection with the plaintiff's trading policies,

recipes, methods, techniques or any information of a confidential in nature which he may obtain or have access to in the course of his employment unless with a written consent by the plaintiff.

[42] The first defendant also acknowledged preserving the secrecy of confidential information which includes trade secrets, marketing information, financial information and business plan. It was also not disputed that the first defendant was a candy maker in the employment of the plaintiff and that he would have had access of the plaintiff's manual during the course of his training.

[43] The court took cognizance that the essential elements that make up the law on breach of confidence can be seen in the landmark case of *COCO v. AN Clark (Engineers) Ltd* [1968] FSR 415 that has been followed locally in *Electro Cad Australia Pty Ltd & Ors v. Mejati RCS Sdn Bhd & Ors* [1998] 3 CLJ Supp 196 and *Repco (Malaysia) Sdn Bhd v. Tan Toh Fatt & Ors* [2012] 1 LNS 116; [2013] 7 MLJ 408 which laid down the required elements:

- that the information is confidential in nature.
- there is an obligation of confidence imposed on the recipient of that information; and
- that there has been a disclosure or a threat of disclosure of that confidential information.

[44] In dealing with the first element the court is of the view that the plaintiff is to show that the information it seeks to protect is a trade secret or is in the nature of a trade secret. Confidential information can be defined as anything that is not available in the public domain or information that is not public property – See *Svenson Hair Center Sdn Bhd v. Irene Chin Zee Ling* [2008] 8 CLJ 386. In other word, the information which is in the public domain or which can be easily acquired from other sources cannot be described as trade secrets capable of protection as confidential information. In *Saltman Engineering Co Ltd & Ors v. Campbell Engineering Co Ltd* [1963] 3 All ER 413, it was held by the Court of Appeal per Lord Greene, MR at 415 B:

> … The information, to be confidential, must, I apprehend, apart from contract, have the necessary quality of confidence about it, namely, it must not be something which is public property and public knowledge. On the other hand, it is perfectly possible to have a confidential document, be it a formula, a plan, a sketch, or something of that kind, which is the result of work done by the maker on materials which may be available for the use of anybody; but what makes it confidential is the fact that the maker of the document has used his brain and thus produced a result which can only be produced by somebody who goes through the same process.

[45] The court is in agreement with the plaintiff that the ingredient, know-how, methods and detailed process of how Sticky Candies are made and assembled were among other things are confidential information in

A nature and are their trade secrets. Indeed that such information were confidential in nature and any reasonable man would come to a conclusion that such information would be recognised as secret to the plaintiff's business where it possess the necessary quality of confidence for the purpose of an action in breach of confidence. From the evidence adduced, the court finds
B that the manual (exh. P1) which contains the exact ingredients to be used for each type of candy, the exact identifiable temperature at which the sugar and water are to be boiled, the exact name of the flavours used and the method of arranging various pieces of candies in order to form a specific design formed the very foundation and formula upon which the Sticky Candies are
C manufactured. The confidential information contained in P1 are accessible to selected employees and to which reference is made during the training of the plaintiff's candy makers and is not available in the public domain or not a public property especially details in relation to recipes, ingredients and formula used. Furthermore, PW1 testify that the plaintiff's manual is very highly and extremely important to the candy making business. Although the
D first and second defendants contended that the process of making candies are available in public and more specifically in the Internet but the court finds that they were unable to show that those crucial piece of information that contained great details of candy making as per the plaintiff's manual can be found anywhere in the Internet or published anywhere in public.

E **[46]** As to the general guideline as what is confidential information, the cases cited below had shed some light. The case of *Electro Cad Australia Pty Ltd & Others v. Mejati RCS Sdn Bhd & Ors* [1998] 3 CLJ Supp 196, the court held that the plaintiff's secret process of the manufacture and workings of their auto theft device was indeed confidential information. In *Ismeca*
F *Malaysia Sdn Bhd v. Micheal Gerard Peterson & Ors* [2012] 4 CLJ 973, states the design, drawings and information for the manufacture of the plaintiff's automated industrial equipment components and spare parts were held to be not common in the industry and were indeed confidential information to the plaintiff. Again, in *Raghunath Ramaiah Kandikeri v. Ecooils Sdn Bhd* [2013] 1
G LNS 360, the Court of Appeal upheld the findings of the High Court that the respondent's specialised and unique technological process was considered to be highly confidential information.

[47] The court is mindful that in *Repco (Malaysia) Sdn Bhd v. Tan Toh Fatt & Ors* [2012] 1 LNS 116; [2013] 7 MLJ 408 the court states that "what
H constitutes confidential information and trade secret varies from industry to industry. One cannot equate an industry dealing with design and or trade formulae and or manufacturing and or processing of certain products where some secret chemical formulae and or certain secret design which involved trade setting and intellectual property to an industry which merely deals with
I the sales of ready automotive parts and spare parts like the plaintiff's business". Having scrutinised the evidence, the court finds that the plaintiff's list of suppliers of sugar, flavours, gloves, and all related information relevant to the plaintiff's candy making business and its' clients are also confidential information in relation to the nature of the industry concerned.

At the same time the court took cognizance that particulars such as names, lists and details have been judicially recognised as being confidential in nature and wrongful utilisation of such particulars warrants injunctive protection. Therefore, trade secrets also extend to information relating to the lists of names and addresses of customer, supplier, specific questions sent to the customers, cost prices, specific needs and requirement of the customers and status of the ongoing negotiation with the customers. In *Schmidt Scientific Sdn Bhd v. Ong Han Suan & Ors* [1998] 1 CLJ 685 states that trade secrets are not limited to manufacturing processes or secret formulae but extend to information relating to the lists of names and addresses of customers, suppliers, specific questions sent to the customers, cost prices, specific needs and requirements of the customers and status of the on-going negotiation with the customers. In *Svenson Hair Center Sdn Bhd* (*supra*) the court makes it very clear that information of this nature are undoubtedly categorised as confidential information and/or trade secret:

> Particulars such as names, lists and details have been judicially recognised as being confidential in nature and wrongful utilisation of such particulars warrants injunctive protection.

[48] As to the second element whether there is an obligation of confidence imposed on the recipient of that information the court is guided by *COCO* (*supra*) where the court held at p. 47 as follows:

> The 2nd requirement is that the information must have been communicated in circumstances importing an obligation of confidence. However secret and confidential the information, there can be no binding obligation of confidence if that information is blurted out in public or is communicated in other circumstances which negative any duty of holding it confidential … In the absence of such guides or tests in effect concluded that part of the communications there in question would on any reasonable test emerge as confidential … It seems to me that if the circumstances are such that any reasonable man standing in the shoes of the recipient would have realised that upon any reasonable grounds the information was being given to him in confidence, then this should suffice to impose upon him the equitable obligation of confidence.

[49] It is not undisputed that all employees of the plaintiff who undergo training in relation to candy making are indeed given access to P1 for the very purposes of this training as testified by PW12 and PW13 (first defendant colleague who had undergone the training with him). It follows that the court is of the view that first defendant as a candy maker in the employment of the plaintiff had access to P1 although he denied that he had seen P1. The fact that the first defendant has access to P1 can be seen in evidence given by PW10 and PW6. Therefore, it is can be safely concluded that the first defendant would reasonably have access to all the confidentiality of recipes including the boiling temperature, the methods of arrangement of the candies in order to form a particular shape, the temperature and the exact amount of ingredients required to make a particular candy, all of which are contained in great detail were imparted to first defendant during his training with the plaintiff.

[50] The court also refers to the terms of the first defendant's contract of employment where it states that he is not to divulge any information that is confidential in nature such as the plaintiff's, trading policies, recipes, methods or techniques that he learns by virtue of his employment with the plaintiff. The confidentiality deed reads:

> You will not any time both during and after your employment with the Company divulge to any person any information relating to or in connection with the Company's trading policies, recipes, methods, techniques or any information of a confidential nature which you may obtain or have access to in the course of your employment with the Company regardless whether such information is in respect of the Company, its employees or its clients including direct or indirect acquaintance.
>
> This condition shall survive the termination of your employment regardless of the manner in which such termination and any breach of this condition will render you liable to damages and other remedies available to the Company in law.
>
> You shall not remove any confidential information without any written consent from the employer including any documentation or information received or development by any employees or yourself in the performance of their duties and your duties.
>
> You shall acknowledge the desire and the right of the employer to preserve the secrecy of this confidential information which includes trade secrets, marketing information, financial information and business plans.

[51] In *Faccenda Chicken Ltd v. Fowler* [1987] CH 117, it was stated that information obtained from employers can be divided into the following three categories:

- non-confidential information which was trivial or easily accessible from public sources;
- confidential information which an employee could not use except for his employer's benefit during his employment but which, unless restrained by covenant, he was free to use or disclose for his own benefit or to his employer's detriment once his employment terminated. This would include information which an employee had to treat as confidential but which, once learned, necessarily remained in his head and became part of his skill and knowledge applied in the course of his employer's business;
- confidential information which an employee was never free to use or disclose except with his employer's authority.

[52] The court is of the view that the first defendant's contract of employment with the plaintiff falls within the ambit of the principles as set out in the case of *Faccenda Chicken* (*supra*) ie, confidential information which an employee was never free to use or disclose except with his employer's authority. As such, there is a clear and express obligation of confidence imposed on the first defendant and in fact, he admitted that he continued to be bound by the contract and the obligations of confidentiality therein.

[53] The court finds that at all material times, the first defendant had full knowledge that the contents of P1 were confidential in nature and the trade secrets of the plaintiff where he has the obligation of confidence. As an employee, the first defendant owed the plaintiff a duty of good faith. The first defendant also conceded that the recipes are an important aspect of the candy making business and that by signing his contract of employment, he also acknowledged that he was under an obligation of confidentiality. Furthermore, DW2 testify that first defendant had disclosed such confidential information such as names of suppliers, marketing information, and client lists of the plaintiff even before the first defendant resigned for the second time.

[54] In *Schmidt Scientific Sdn Bhd* (*supra*) the court lays down the law in relation to former employees using the information that they obtain from their previous employers. The court state that this duty of good faith not only prohibits an employing from misusing or disclosing information while still in the employer's employ but also prohibits the employee from using any confidential information obtained during his employment without the employer's consent for his or someone else's use after the contract of employment has ended.

[55] Having said the above, the final element is whether there has been a disclosure or a threat of disclosure of the plaintiff's confidential information by the first defendant. Generally, an employee owed his employer a duty of good faith where this duty not only prohibits an employing from misusing or disclosing information while still in the employer's employ but also prohibits the employee from using any confidential information obtained – *Schimdt*'s case. From the evidence of DW2 who is the director of second defendant, has admitted that the first defendant had disclosed information in respect of the names of supplier and equipment used of the plaintiff even before the first defendant resigned for the second time from the plaintiff's company and later join the second defendant's company. From the evidence it revealed that the first defendant did play an active role in providing instructions as to how to make hand-made rock candy during the training session conducted by one Damien Brewer. Such a conduct only points to a reasonable conclusion that the information which first defendant possessed in providing the instructions during the said training could only be obtained from P1 in candy making with the plaintiff's company. Therefore, the court is unable to agree with the contention that the first and second defendants did not relied on the plaintiff's confidential information in making his product as they have engaged an independent trainer to train his staff in the candy making.

[56] There is also no evidence to show that the first defendant has the authority and consent from the plaintiff or otherwise was given such authority and consent to disclose confidential information in relation to the P1 as well as in relation to the plaintiff's list of supplier and customer lists for the benefit of the second defendant. Therefore, the court finds that even

A though the first defendant had all the information in candy making, he is not at liberty to share the confidential especially that are contained in P1 with anyone even after he has left the employment of the plaintiff except with the consent and benefit to the plaintiff. Therefore, court finds the first defendant had breached the obligation of confidentiality imposed upon him in respect
B of his act of disclosing information of the plaintiff's candy making process and its business.

[57] As against the second defendant, the court finds that he had knowledge of the nature of the information that he had obtained from the first defendant and used such confidential information for the benefit of his own business.
C The second defendant has failed to show that such confidential information belonging to the plaintiff, particularly in relation to the exact temperature, the exact amount of sugar and water, the recipes for each flavour of candy and the exact method of arranging various pieces of candies are available in the public domain or elsewhere. Therefore, the court has no other conclusion
D except to find that such information is confidential in nature and that the formula of the Sticky Candies has been used by the second defendant to produce their I-Candy which eventually sold in the market. The court is also satisfied from the evidence that such confidential information was communicated by the first defendant to second defendant. The second
E defendant, being a candy making company itself would reasonably have known that such information is confidential and in proceeding to use it for its own benefit to the detriment of the plaintiff constitutes an infringement of the plaintiff rights to its confidential information and amounts to an unauthorised disclosure.

F *The Second Issue*

[58] The law of passing off is premised on the fundamental principle that nobody has any right to represent his goods as the goods of somebody else. It prevents a trader from passing off his goods as if they had originated from another trader. (See *Mun Loong Co Sdn Bhd v. Chai Tuck Kin* [1982] CLJ 80B;
G [1982] CLJ (Rep) 590; [1982] MLJ 356). Lord Langdale MR in *Perry v. Truefitt* (1842) 6 Beav 66; 49 ER 749 at 752 quoted in the case *McCurry Restaurant (KL) Sdn Bhd v. McDonald's Corporation* [2009] 3 CLJ 540.

> A man is not to sell his own goods under the pretence that they are the goods of another man; he cannot be permitted to practise such a
H deception, nor to use the means which contribute to that end. He cannot therefore be allowed to use names, marks, letters or other indicia, by which he may induce purchasers to believe, that the goods which he is selling are the manufacture of another person.

[59] It is trite law that the following elements must be proved in order to
I establish a cause of action for passing off:

(a) that the plaintiff has sufficient reputation or goodwill in the mark, trade mark, get up or other indicia in question;

(b) that the actions of the defendants are likely to and/or have actually caused misrepresentation; and

(c) that the plaintiff has suffered or is likely to suffer damage or injury to his business or goodwill as result of the defendants' misrepresentation.

[60] The fundamentals of passing off are laid down in House of Lords case of *Reckitt & Colman Products Ltd v. Borden Inc and Others* [1990] 1 All ER 873 and these fundamentals are laid out in *Syarikat Zamani Hj Tamin Sdn Bhd v. Yong Sze Fun* [2006] 5 MLJ 262. Therefore, in order for the second defendant to be liable in the tort of passing off, it must be shown that there is a goodwill and reputation belonging to the plaintiff and that the second defendant had made a misrepresentation that caused damage or the likelihood of damage to the plaintiff.

[61] It is incumbent for the plaintiff to prove that he has goodwill in relation to the goods or services which are the subject of the passing off action. (see *Goodyear Tire & Rubber Company & Anor v. Silverstone Tire and Rubber Co Sdn Bhd* [1994] 1 CLJ 509; [1993] 2 AMR 389; [1994] 1 MLJ 348). Without goodwill, the mere existence of confusion in the minds of consumers that the competitor's goods originate from the plaintiff is insufficient for a passing off action. A useful passage with regards to the meaning of goodwill, Lord Lindley in the case of *AG Spalding & Bros v. AW Gamage Ltd* [1915] 84 LJ Ch 449 said at p. 235 as follows:

> Goodwill regarded as property has no meaning except in connection with some trade, business or calling. In that connection, I understand the word to include whatever adds value to a business by reason of situation, name and reputation, connection, introduction to old customers and agreed absence from competition, or any of these things, and there may be others which do not occur to me. In this wide sense, goodwill is inseparable from the business to which it adds value, and in my opinion, exist where the business is carried on. Such business may be carried on in one place or country or in several, and if in several there may be several businesses, each having a goodwill of its own.

[62] It was not disputed that since 2009, the plaintiff was a company known as the maker of high quality, hand-made rock candy style lollies and candy art that comes in various shape and sizes with vibrant colours and these attractive elements has brought the goodwill and reputation to the plaintiff's sticky candy business and becomes the attractive force that brings and cause the commercial customer to purchase the plaintiff's product. The court finds that these are in essence, the 'get-up' and appearance of the Sticky Candies which becomes attractive force that causes the members of the public to link the Sticky Candies to the plaintiff. The plaintiff in fact has several candy outlets in most prominent shopping malls and this is image of the plaintiff's Sticky Candies that is perceived by the public at large. This state of force is supported by independent evidence of PW9 and PW11.

[63] In proceeding to the next step, the court finds that the question that ought to be asked is whether the I-Candy as a whole, is such that it is identical and if not whether it so closely resembles the Sticky Candies such that it is likely to deceive or cause confusion to the public. (See: *Consitex SA v. TCL Marketing Sdn Bhd* [2008] 8 CLJ 444, *Aspect Synergy Sdn Bhd v. Banyan Tree Holdings Ltd* [2009] 8 CLJ 97, *Re Pianotist Co's Application* [1906] 23 RPC 774)

[64] The test was laid out in *Danone Biscuits Manufacturing (M) Sdn Bhd v. Hwa Tai Industries Bhd* [2010] 4 CLJ 711, where the court states that in comparing the products to determine the similarity, the products must be taken as a whole. If the packaging, on such an observation, is confusingly and deceptively similar to the plaintiff's get-up and packaging, these striking similarities will render the trade and public to be confused as they are identical goods.

[65] From the evidence, the second defendant has produced I-Candy that is similar to Sticky Candies in relation to the colours, the types of candy and design as well as the clear glass packaging. The second defendant has sold and supplied their candies in the same place in which the plaintiff marketed the Sticky Candies including at the GRG. The evidence also revealed that the second defendant even had acted as if he is representing the plaintiff in the candy business by doing the marketing and advertising to Kuranda Candy Kitchen and Lolly Talk as evidenced by D36 and D38. From the evidence of PW7, PW9 and PW11, they were driven to believe that the I-Candy was of the Sticky Candies when they first saw the candies on display. The court also after examine physical exhibits tendered by both parties and comparing the similarity as a whole, the court could not differentiate the two products and found it to be very similar in colour, design and the clear glass packaging. Therefore, the court could not help except to find that there was a misrepresentation by the second defendant that he had likely led the public to believe or otherwise cause confusion among the purchasing public to associate in their minds that the I-Candy is the product of the plaintiff.

[66] Finally, the element in passing off is damage where the plaintiff does not have to prove that he has actually suffered damage by way of loss of business or in any other way. A probability is enough, so long as the damage is to him in his trade or business. In other words, it is damage to his goodwill in respect of that trade or business (see *HP Bulmer Ltd & Showerings Ltd v. J Bollinger SA & Champagne Lanson Pere et Fils* [1978] RPC 79 at p. 95 (CA) cited with approval in *The Scotch Whisky Association & Anor v. Ewein Winery (M) Sdn Bhd* [1994] 3 CLJ 509; [1999] 6 MLJ 280 at p. 302). In *Seet Chuan Seng & Anor v. Tee Yih Jia Food Manufacturing Pte Ltd* [1994] 3 CLJ 7, the court held, *inter alia*, that in an action for passing off, where the goods in question are in direct competition with one another, the court will readily infer the likelihood of damage to the plaintiffs' goodwill through loss of sales and loss of exclusive use of his name (see also *Sinma Medical Products (M) Sdn Bhd v. Yomeishu Seizo Co Ltd & Ors* [2004] 3 CLJ 815).

[67] The court is of the view that by virtue of the above fact and the facts of misrepresentation and confusion mentioned above, there would be, at the very least, a likelihood that a diversion of sales away from the plaintiff's Sticky Candies and eventually will deprived of the benefit of the attractive force of its Sticky Candies. Instead, such force will be towards to the I-Candy. Therefore, the court finds that the second defendant action has deprived the plaintiff's benefit of its business as it may no longer draw in custom as it used to be and this eventually had cause damage to the plaintiff. It follows that the second defendant is liable in passing off by making a misrepresentation to the public to believe that the I-Candy is manufactured, authorised, approved or associated or connected with the plaintiff.

Third Issue

[68] As to the third defendant, it is not disputed that there was an agreement dated 28 December 2011 that the third defendant was a dealer of the plaintiff's Sticky Candies for the purpose of selling the Sticky Candies to GRG. The third defendant undertakes that he would not display, market or sell any goods or products directly in competition to the plaintiff's Sticky Candies. Furthermore, the third defendant undertakes not to engage in any unfair or illegal trade practice or commit any act or engage in any transaction that would reflect adversely upon the goodwill associated with plaintiff's Sticky Candies.

[69] The court finds that there are evidences that linked the involvement the third defendant with the first and second defendants in the activities of the candy making business and played an active role in creating a rival business. PW13 has testified that he was requested by the first defendant to accompany him to meet up with the third defendant on few occasions. During these meetings, PW13 also testified that the third defendant has requested the first defendant to acquire plaintiff's trade secrets for the purpose of setting up a candy business similar to that of the plaintiff's and offered them to work with him in the new company. The occurrence of these meetings was never denied by the first and third defendants. The court also finds that PW13, by his demeanour, showed that he is a truthful witness and was not under any pressure to testify. The evidence was also corroborated by PW3, a private investigator appointed by the plaintiff to conduct surveillance on the second defendant's premise from 7 May 2012 to 11 May 2012 where the third defendant was spotted and remained for a long period of time at the second defendant premise.

[70] It is an admission by the third defendant that he introduced the first defendant to DW2. At the material time, the second defendant was a newly setup company doing candy business and coincidentally, selling their products at GRG. This raise a question as to why would the third defendant as a reasonable person introduced the first defendant to a competitor second defendant, which in turn would adversely affect his own business at GRG. The court is of the view that the reason as to why the third defendant was

A interested to know the plaintiff's trade secret because such information is essential and beneficial in establishing a candy business with the second defendant. It is ironic for the third defendant to be interested in the trade secret of the plaintiff because he was only a dealer of the plaintiff except with the intention to set up a candy business similar to that of the plaintiff's.
B Moreover, the third defendant had stopped taking supplies from plaintiff which had resulted the Sticky Candies were no longer been displayed for sale at GRG instead it were being replaced by I-Candy candies. Therefore, it is not about the parties who displayed the candies at GRG but it is about who is the party that had supplied the candy which is in competition to Sticky
C Candies. In this case, it is not doubt that the third defendant was the one who had supplied the candies. Therefore, the court finds that there were sufficient evidences to show that the third defendant had breached the dealership agreement when he assisted and facilitated the selling of I-Candy which is in direct competition with the Sticky Candies. Such an act had reflected adversely upon the goodwill associated with plaintiff's Sticky Candies.
D

Conclusion

[71] The plaintiff's claim is allowed as follows:

(a) As against to the first and second defendants order in term for all prayers
E in the statement of claim:

(i) except para. 19(i).

(ii) para. 19 (e) with the amendments as agreed by parties.

> Delivery to Plaintiff, or such other person as the Court may
F direct recall of all the I-Candy in the possession, custody and or control of the 2nd Defendant available in the market and not to sell or deal with the offending candies with anything whatsoever. The original manual and all other documents including the photocopy of the Manual are to be returned to the Plaintiff. If the documents are not in their possession, the
G 1st and the 2nd Defendants is to affirm an affidavit stating so.

(b) As against to the third defendant, damages is to be assessed as per prayer 19(f) and (g).

(c) Costs of RM40,000 of this suit to be paid by the first, second, and third
H defendants to the plaintiff.

(d) Interest at the rate of 5% on the judgment sum calculated as at the date of judgment to the date of realisation.

I